

FILED
FEB-12-03

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

Docket No. 2002-328-S

SC PUBLIC SERVICE
COMMISSION

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IN RE: Application of Links Water
Treatment, LLC for Approval of an
Establishment of Rates and Charges
for the Operation of a Sewer System,
and the Establishment of a Service
Territory.

PREFILED TESTIMONY
OF STEVE SANDLIN

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steve Sandlin and my business address is P.O. Box 282, Tigerville, South Carolina, 29688.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. To support the application of Links Water Treatment, LLC.

Q. WHAT IS YOUR ASSOCIATION WITH THE APPLICANT?

A. I am a co-owner of Links Water, along with Joe Thomason.

Q. DOES THE APPLICANT SEEK APPROVAL TO PROVIDE SEWER SERVICE TO PERSONS FOR COMPENSATION?

A. Yes.

Q. WHAT IS THE PROPOSED SERVICE AREA?

A. The Links O'Tryon Subdivision located in upper Greenville and Spartanburg Counties approximately 1 mile southeast of the intersection of S.C. Highways 14 and 11 in Greenville County.

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1 **Q. PLEASE DESCRIBE THE LINKS O'TRYON SUBDIVISION?**

2 A. Links O'Tryon was originally developed in the late 1980s. It is an upscale, golf course
3 community with many regular home sites and several smaller home sites for patio
4 homes. The price for a patio home lot is approximately \$27,500. Prices for completed
5 patio homes are in the range of \$169,000 to \$220,000. Homes on regular home sites
6 are priced in the range of \$250,000 to \$400,000. The regular home sites have septic
7 tanks and are not in need of the system. The patio homes are located on lots too small
8 to hold septic tanks, and, therefore, the residents of the patio homes make up the users
9 of the system.

10 **Q. WHO WAS THE ORIGINAL DEVELOPER OF THE SUBDIVISION AND**
11 **WHAT IS YOUR INTEREST IN THE DEVELOPMENT?**

12 A. Litchfield Company was the original development company. Clarence Edwards
13 purchased Links O'Tryon from Litchfield in foreclosure proceedings. In approximately
14 1996 or 1997, Mr. Edwards sold the development to a group of buyers, including
15 myself and Joe Thomason. In 1999, Mr. Thomason and I bought out the other owners
16 of the development.

17 **Q. HOW DO YOU HANDLE THE DAY-TO-DAY MAINTENANCE AND ENSURE**
18 **COMPLIANCE WITH DHEC AND PUBLIC SERVICE COMMISSION**
19 **REGULATIONS?**

20 A. Danny Godfrey was hired at the start up of the system to handle all aspects of its
21 maintenance, repair, and operation, as well as regulatory compliance. Mr. Godfrey is
22 an expert in the operation of systems like ours. He has been working with the system
23 for over 13 years and we expect that he will continue to do so in the future.

1 **Q. WHY HAS THERE BEEN NO APPLICATION FILED WITH THE PUBLIC**
2 **SERVICE COMMISSION FOR THE OPERATION OF THE SYSTEM PRIOR**
3 **TO THESE PROCEEDINGS?**

4 A. For reasons unknown to us, the original developer built and operated the system
5 without requesting approval from the Public Service Commission. When Joe
6 Thomason and I learned in 1999 that we were responsible for running the system, we
7 immediately sought legal counsel about our responsibilities. After consulting with our
8 attorney, we understood that approval by the Public Service Commission would be
9 required, unless the homeowners were willing to operate the system.

10 **Q. WHAT STEPS HAVE BEEN TAKEN TO RESOLVE THE ISSUE?**

11 A. We believed it was in the best interest of the owners of the patio homes to take over the
12 operation of the system. It would give them control, and allow them to lower their
13 rates by eliminating some of the administrative expenses. It would also exempt the
14 system of the need for regulation. We made this recommendation to the homeowners
15 in several meetings during the past couple of years. At first, several homeowners
16 indicated they were interested in the idea, and an LLC was actually formed and some of
17 these homeowners were made members. Sentiment changed, however, and support for
18 operation by the homeowner association faded. At that point, there was no option but
19 to immediately seek approval from the Public Service Commission for our operation of
20 the system.

21 **Q. HOW MANY USERS ARE THERE PRESENTLY ON THE SYSTEM?**

22 A. 22.

1 **Q. DO YOU SEEK APPROVAL OF SCHEDULES OF RATES AND CHARGES?**

2 A. Yes.

3 **Q. DO YOU HAVE PERSONAL KNOWLEDGE REGARDING THE EXPENSES OF**
4 **OPERATING THE SYSTEM?**

5 A. Yes. For the past three years, I have been responsible for overseeing the payment of
6 all expenses of the system.

7 **Q. HOW HAS THE REVENUE GENERATED FROM SUBDIVISION RESIDENTS**
8 **COMPARED TO EXPENSES IN THE PAST?**

9 A. The system has operated at a loss every year since I first became involved in the
10 development of the Subdivision. It is very likely that the system had operated under a
11 deficit ever since its start up in the late 1980s. Among other things, there were very
12 few users in the beginning, thus requiring the development company to subsidize the
13 system for the benefit of the residents.

14 **Q. WHAT ARE THE ANTICIPATED EXPENSES FOR THE OPERATION OF THE**
15 **FACILITY?**

16 A. Expenses will include electricity, bank fees, fees to Blue Ridge Rural Water, postage,
17 permits, taxes, DHEC compliance, testing, maintenance, repairs, bookkeeping, billing,
18 audit, and professional fees. The estimated 2002 annual expenses for each of these
19 items is set forth in the schedule submitted with the application. We request that this
20 schedule be made a part of this testimony.

1 **Q. HAVE THERE BEEN ANY SIGNIFICANT INCREASES IN EXPENSES?**

2 A. Yes. Among other things, the fees for Danny Godfrey increased by about 65% due to

3 increases in the frequency of testing required for DHEC compliance imposed in the

4 July 2001 permit. This represents the largest of the annual expenses necessary to

5 operate the system.

6 **Q. DO YOU SEEK TO INCLUDE ANY ANNUAL DEPRECIATION FOR THE**

7 **CAPITAL COSTS IN SETTING THE AMOUNT OF THE RATES?**

8 A. No. The system cost the original developer well in excess of \$125,000 to build and put

9 into operation. However, we do not seek to recoup any part of this original capital cost

10 from the current users.

11 **Q. DO YOU SEEK TO SET UP A RESERVE FUND?**

12 A. Yes. We believe it would be prudent to set aside \$1,000 per year to create a reserve

13 fund of around \$20,000. This fund would be used for significant upgrades, and

14 especially blowers and pumps, which must be replaced every few years. The fund

15 would also be available in case of the need for emergency, unplanned maintenance or

16 upgrades. The reserve fund should be replenished as money is used for the system.

17 **Q. WHAT IS THE TOTAL AMOUNT OF ANTICIPATED ANNUAL EXPENSES**

18 **BASED ON 2002 DATA, INCLUDING THE \$1,000 ANNUAL CONTRIBUTION**

19 **TO THE RESERVE FUND?**

20 A. \$16,256.00.

21 **Q. DO YOU REQUEST AN OPERATING MARGIN?**

22 A. Yes. We seek an operating margin of 20%.

1 **Q. WHAT IS THE ANNUAL RATE YOU NEED TO CHARGE BASED ON YOUR**
2 **EXPENSES AND DESIRED OPERATING MARGIN?**

3 A. A maximum of \$886.68 annually to each of the 22 users. Approximately \$221.67
4 quarterly.

5 **Q. DO YOU BELIEVE THAT THE PROPOSED RATE IS FAIR AND**
6 **REASONABLE IN THIS SITUATION?**

7 A. Yes, considering the necessary operating expenses.

8 **Q. WHAT WILL HAPPEN TO THE RATES AS ADDITIONAL USERS ARE**
9 **ADDED?**

10 A. The rates will be proportionately adjusted. This will be accomplished by dividing the
11 total revenue needed each year by the total number of users. This should result in a
12 reduction in the rates.

13 **Q. DO YOU WISH TO CHARGE A TAP FEE?**

14 A. Although we requested a \$1,000 tap fee in our application, we wish to withdraw that
15 request. The homeowners and their builders have the responsibility and bear the
16 burden of the expense for connecting the homes to the system.

17 **Q. DO YOU INTEND TO CHARGE THE USERS A DEPOSIT?**

18 A. No. We do not feel that deposits are necessary at this time.

19 **Q. DOES LINKS WATER INTEND TO ADHERE TO ALL REGULATORY**
20 **REQUIREMENTS OF THIS COMMISSION.**

21 A. Yes.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes.